



COUNTRY RISK WEEKLY BULLETIN

NEWS HEADLINES

SUDAN

Bush signs bill allowing Sudan divestment

U.S. President George W. Bush signed the Sudan Accountability and Divestment Act, allowing state and local governments to cut investment ties with companies doing business in Sudan. The measure aims to pressure Sudan to end the violence in the Darfur region. The bill, which passed both houses of Congress unanimously, makes it easier for mutual funds and private pension fund managers to sell their investments and allows states to prohibit debt financing for companies that do business in Sudan. It also requires companies seeking contracts with the U.S. federal government to certify that they are not doing business in Sudan. The bill targets specifically companies involved in oil, power production, mining and military equipment, which are considered sectors that provide vital revenue for Sudan's government. President Bush's signature was accompanied by a proviso known as a signing statement, in which he said he was reserving the authority to overrule state and local divestment decisions if they conflicted with foreign policy. So far, 22 U.S. states have adopted divestment policies from Sudan and 23 states have initiated Sudan divestment campaigns.

Source: *New York Times, Associated Press*

LIBYA

Spain to invest around \$17bn in Libya

The Spanish government announced that Spain and Libya have reached a framework agreement that could see Spanish firms invest around \$17bn in Libya. The deal could see Spanish firms invest \$5bn in the Libyan energy sector, \$2.88bn in defense and aeronautics and up to \$10bn in a huge Libyan project to develop the country's infrastructure. Libya's process of seeking reconciliation with the West after decades of hostility is yielding benefits for both Libya and the European Union.

Source: *Associated Press*

SAUDI ARABIA

Plans for largest sovereign wealth fund in the world

Saudi Arabia plans to establish a sovereign wealth fund that may exceed Abu Dhabi's \$900bn fund, and which would likely be the largest in the world. The effort is likely to be spearheaded by Saudi Arabia's Public Investment Fund, which has a mandate to invest only internally. Previously, the Saudis' oil wealth had gone partly to the kingdom's central bank, the Saudi Arabian Monetary Authority (SAMA), and partly to the ruling family. Until now, SAMA's investment policy has been conservative and largely limited to investment in bonds, especially U.S. Treasuries and shares. That contrasts with the mandate of its peers in the Gulf, which have increasingly been geared to provide higher returns for when oil reserves run out, by investing in alternative assets such as private equity and hedge funds.

Source: *Financial Times*

PAKISTAN

Bhutto's assassination may hurt ratings

Standard & Poor's announced that the sovereign credit ratings on Pakistan could be lowered, if the assassination of former Prime Minister Bhutto Benazir Bhutto precipitates heightened levels of violence and political turmoil. It said the prevailing negative outlook on the ratings on Pakistan encapsulates to a large extent risks to the political process, including attempts on the life of political leaders after a number of such incidents in the past. The agency noted that the assassination in itself will not result in a rating action, but a further weakening of Pakistan's institutions, in conjunction with rising levels of violence and disorder, and the postponement of the January 8 elections would lead to a rating downgrade. S&P added that a prolonged political stalemate or social disorder would make the rating vulnerable, primarily from an external liquidity and fiscal angle. Foreign direct investment and portfolio flows would likely decline, negatively affecting Pakistan's external liquidity position. In parallel, the sovereign may encounter increasing difficulty in refinancing its external and domestic debt, as lenders' risk aversion toward Pakistan increases. The country's foreign currency debt rating is at 'B+' with a negative outlook.

Source: *Standard & Poor's*

MENA

World Bank and Hawkamah launch regional task force

The World Bank and the Dubai-based Hawkamah Institute for Corporate Governance established a taskforce on insolvency and creditor rights systems. The taskforce will develop a policy brief for the Middle East & North Africa region, based on an individual country analysis of the legal framework for insolvency and creditor rights, along with recommendations and policy options for consideration by MENA policymakers. The effort is supported by accounting and legal group Insol International and the Organization for Economic Cooperation and Development (OECD). The panel will include experts and officials from Arab countries, the World Bank, Insol, OECD and representatives of government agencies, banks, judiciary, regulators, the financial sector and insolvency professionals.

Source: *World Bank*

GCC

Common market comes into effect

GCC increased their level of economic integration on January 1st with the introduction of the common market with a combined economy of \$715bn, which is a step towards monetary union and single currency slated for 2010. GCC citizens now have the same rights and entitlements in each country, including private and public-sector employment, healthcare, education, social security and residence. On the economic side, GCC citizens will now have the same rights in trading in stock markets, setting up companies, and buying and selling properties.

Source: *AFP*

DECEMBER POLITICAL RISK OVERVIEW

ALGERIA

UN and government buildings in Algiers were targeted by 2 suicide bombers on December 11; up to 60 were killed, including 17 UN staff. The bombers were identified as members of al-Qaeda in the Islamic Maghreb. Two soldiers were also killed by a roadside bomb linked to same group on December 26th. Seven suspected militants were killed by the army near Tebessa on December 30th. A suicide car bomb killed 3 policemen in the east of Algiers on January 2nd.

ARMENIA

Nine candidates were nominated for the February 19, 2008 presidential elections ahead of the December 6 deadline, including PM Serzh Sarkisian and former president Levon Ter-Petrossian. State pressure on independent media intensified. A bomb exploded in the offices of the opposition newspaper Chorrord Ishkhanutyun on December 13, following reported threats from PM officials.

EGYPT

The government arrested over 100 Muslim Brotherhood members in a month, in an apparent warning against the participation in the spring 2008 elections. 39 Brotherhood members, including the Deputy General Guide Khairat al-Shater, remain on trial for belonging to a "banned organization" and running companies to raise funds.

IRAN

The U.S. National Intelligence Council's declassified Intelligence Estimate on Iran's nuclear activities stated with "moderate confidence" that Tehran had not restarted the nuclear weapons program, has no nuclear weapon and is less determined to develop them than previously thought. U.S. President Bush said that Iran is not to be trusted and that the Russian delivery of nuclear fuel on December 16 was not meant for the domestic enrichment program. Tehran announced Bushehr plant to open in summer 2008. EU foreign policy chief Solana stated the EU's intention to continue its dual-track approach of inducements to halt uranium enrichment and support for UN sanctions.

IRAQ

A quarterly report from the U.S. Pentagon to the Congress indicated significant security improvement from September to November 2007, but "disappointed lack of progress" on key legislations and on the continued dependence on coalition forces. The U.S. Secretary of State Condoleezza Rice made a surprise visit on December 18th. The visit coincided with the Turkish military incursion into northern Iraq against PKK militants, and other violence around Iraq that killed 30. The UK handed over security in Basra to Iraqi forces on December 16th. The province of Diyala saw a spike in violence early in month with 60 killed in 5 separate attacks. Iraqi leaders, including the parliament of the Kurdish region, agreed on a 6-month delay in implementing article 140 of the constitution, including the controversial referendum on the status of Kirkuk and other "disputed areas". The UN Security Council extended on December 18 the mandate of the Multinational Force until the end of 2008.

MOROCCO

The terrorism court sentenced seven to 1-4 years for being linked to May 2003 Casablanca attacks on December 28th. Seven others were sentenced for receiving training from Algeria's Groupe Salafiste pour la predication et le combat (GSPC), now core of al-Qaeda in the Islamic Maghreb.

SUDAN

The SPLM returned to the government of national unity (GNU) on December 27, avoiding a collapse of the CPA, but clashes started along north-south border and fighting continued in Darfur. Combined Popular Defense Forces militia, government troops and Misseriya tribesmen reportedly clashed with the SPLA on December 23-24 and 28 in Southern Kordofan and Northern Bahr el-Ghazal. The SPLM rejoined the GNU after some progress on several issues that triggered October 2007 withdrawal. The new list gives greater representation of SPLM in Khartoum, including the minister of cabinet affairs and the foreign minister. Aid groups/NGOs said that the UN/AU peace-keeping force for Darfur (UNAMID) which took over from the AU on January 1, 2008, was hampered by Khartoum and urged the UNSC to impose targeted sanctions if the situation continues. The UNAMID continues to lack force capabilities.

SYRIA

The protracted Lebanese crisis led French President Sarkozy and U.S. President Bush to express extreme frustration with Damascus. France vowed on December 30 to halt all contact until it received proof that Syria is not obstructing. Criticism followed the apparent opening in U.S.-Syria relations with Syrian participation in November Annapolis meeting. A Syrian state-run media called on December 31 for the U.S. to start direct dialogue with Damascus following the visit of the U.S. Senator Arlen Specter. The 1,000 UN peacekeeping force along the Israeli-Syrian border was extended to June 2008.

TURKEY

Military operations against the Kurdistan Workers Party (PKK) in the southeast of Turkey and northern Iraq intensified. 13 PKK militants and one soldier were killed in the clashes on December 4-5th. Turkish military claimed hundreds of rebels were killed in air strikes against the PKK bases in northern Iraq on December 16, 22 and 26th. 300 Turkish troops briefly crossed the Iraqi border on December 16-17th. Ankara promised to continue the attacks on December 28th. Iraqi Kurds said bombs hit 8 villages, killing at least 2 civilians. U.S. government stated that Ankara warned of the attacks. Israeli defense forces reported it was planning to provide additional military assistance, including 10 aircraft, over the coming weeks. EU's statement on December 17 urged for restraint and called for a dialogue with Iraq.

UKRAINE

Yulia Tymoshenko was elected PM by the parliament on December 18th.

Source: International Crisis Group



OUTLOOK

EMERGING MARKETS

Tighter global liquidity will test emerging markets

Fitch Ratings indicated that downside risks for the world economy have increased markedly since the summer and that emerging market economies would be unable to remain sheltered in the event of a sharp slowdown in advanced economies. The agency said global economic and financial conditions have worsened considerably since the summer, and financial market turbulence witnessed since early August amounts to a disorderly tightening of global liquidity.

According to Fitch, emerging market assets have fared relatively well amid a global re-pricing of risk and flight to safety by investors, as sovereign spreads have remained low, equity markets strong and local fixed-income markets steady. This financial decoupling partly reflects the strengthening of sovereign credit fundamentals in recent years, which in turn is reflected in continued net sovereign rating upgrades through 2007. But Fitch stressed that the notion that emerging market economies can decouple from advanced economies and remain immune to U.S. recession risks is highly unlikely, as trade linkages to advanced economies have become more powerful over time and the correlation of emerging market exports with U.S. imports is strong. Further, the pressure on emerging market central banks to ensure stable inflation expectations is greater than in advanced economies, while policy mistakes could lead to volatility in local bond markets where foreign investment has been supported by the expectation of continued currency appreciation against the US dollar.

Fitch added that emerging market sovereigns as a whole are less exposed to global liquidity shocks than in the past but a sustained deterioration in market conditions will be testing and will bring differences in external vulnerabilities into stark relief. It said that external vulnerabilities largely reflect private-sector behavior, but heavy external borrowing by the private sector can render the balance of payments and macroeconomic stability much more vulnerable to external shocks. It noted that countries in emerging Europe where large external financing requirements had been easily funded in a climate of strong risk appetite are most exposed and the region's rating dynamics have shifted.
Source: Fitch Ratings

KAZAKHSTAN

Sovereign outlook revised to negative

Fitch Ratings revised the Outlook on Kazakhstan's Long-term Issuer Default ratings (IDR) to Negative from Stable and affirmed the Long-term foreign currency IDR at 'BBB' and the Long-term local currency IDR at 'BBB+'. The agency also affirmed the Country Ceiling at 'BBB+' and the Short-term rating at 'F3'. The agency attributed the change in outlook to its reassessment of Kazakhstan's sovereign credit profile due to the severe curtailment in the Kazakh banking sector's access to international capital markets since August 2007. It said the persistence of difficult market conditions has increased the risk that Kazakh borrowers may struggle to attract foreign capital well into 2008, which could prolong the draw-down on foreign exchange reserves and widen the scope for external liquidity

problems to spill over into a broader threat to financial stability.

Fitch said the authorities have assumed substantial contingent liability in their support to the financial system, a strategy that is already impacting the sovereign's external balance sheet. It noted that the Central Bank's reserves declined by 22% to \$18.2bn from July 2007 to November 2007, while authorities estimate the economy's external debt maturities at \$7.5bn in the first half of 2008. Fitch expects that Kazakhstan's sovereign net foreign asset position to be eroded to 19% of GDP by end-2008 from 31% of GDP at end-2007, which increases the risk that the domestic private sector could lose confidence in the authorities' ability to support the financial system, leading to capital flight and a broader crisis, although Fitch continues to regard this outcome as unlikely. It added that the authorities' task of safeguarding financial stability is complicated by a tough macroeconomic combination of surging prices and deteriorating growth prospects.

Source: Fitch Ratings

ARMENIA

Stable outlook for Armenian banks

Moody's Investors Service indicated that the credit outlook for Armenian banks is stable, reflecting an evolving regulatory framework, buoyant credit growth, low banking penetration, robust aggregate capitalization and good asset quality. The agency said these strengths are offset by the challenging operating environment, potential for deterioration in asset quality due to the unseasoned nature of loan portfolios, as well as real concerns regarding operating risk due to under-developed infrastructure. It added that regulation is improving from a historically low base and could benefit from further refinement and better infrastructure and risk controls.

Moody's noted that the system, comprising 21 banks, remains highly fragmented, with the four largest banks controlling 45.5% of total assets and the top 10 banks accounting for 79.6% of assets. It said the Armenian banking sector lacks economies of scale, resulting in low productivity and thereby raising the potential for further market consolidation.

Moody's expressed a generally positive view regarding banks' efforts to expand their retail and mortgage lending operations, although the rating agency emphasized that fast credit expansion could result in elevated non-performing loans for the system in an economic downturn, particularly as loan portfolios are not seasoned. But as the country's nascent banking sector evolves and the sector's loan book term structure lengthens, Moody's expect NPLs to grow to levels observed in other countries at similar stages of development. Also, the country remains a largely cash-based system, which offers great potential for further growth, particularly in the SME and retail sectors. The agency noted that HSBC-Armenia is the only domestic bank majority-owned by a large, global banking group, but recent years' relative geopolitical stability, economic growth, low banking sector competition and high spreads are starting to attract other international banks. In such circumstances, locally owned, smaller banks may find it increasingly difficult to compete, leading to sector consolidation.

Source: Moody's Investors Service



ECONOMY & TRADE

SYRIA

Successful closing of \$100m private equity fund

Shuaa Partners, the private equity arm of the Dubai-based investment bank Shuaa Capital, announced that it had successfully closed a \$100m Syria-dedicated investment fund. The Frontier Opportunities Fund I, L.P. is the second Syria-focused fund to be launched, following the formation of the Barada Capital One Fund by the Saudi firm BMG financial advisors. Shuaa said the fund will have a four-year investment horizon and will invest in existing companies which have an established track record, capable management, and a strategic advantage in their sector that can drive future growth. The fund will target investments in banks, telecommunication and tourism, among others.

Source: *Syria Report*

Syria joins General Data Dissemination System

The International Monetary Fund announced that Syria began participating in the IMF's General Data Dissemination System (GDDS) in December 2007, in order to develop its statistical system. The decision is part of the country's Strategy for Statistical Capacity Building 2006-10 that had been formulated recently. The IMF said Syria's participation in the GDDS should allow it to enhance its statistical capacity and to issue more reliable and timely statistics needed for economic policy-making and monitoring developments. The GDDS was established by the IMF in 1997 and provides a framework to help countries develop their statistical systems. Syria is the 90th GDDS participant.

Source: *International Monetary Fund*

IRAQ

IMF approves \$744m Stand-By Arrangement

The International Monetary Fund approved a successor Stand-By Arrangement for Iraq of about \$744m. The arrangement is designed to support Iraq's economic program over the next 15 months through March 2009. The main objectives of the new program are to maintain macroeconomic stability, facilitate higher investment and output in the oil sector, and move forward with key reforms that were initiated under the previous arrangement. The 2008 program envisages an increase of oil output to 2.2mbpd, and overall GDP growth to reach 7%. Annual consumer price inflation is targeted to decline to 12% in 2008. The Central Bank of Iraq's net foreign reserves are expected to increase to about \$34bn by the end of 2008. Key structural reforms under the program include the strengthening of public financial management and the accounting framework of the CBI, the restructuring of the two largest public banks, and strengthening governance in the oil sector. The Iraqi authorities intend to treat the arrangement as precautionary.

Source: *International Monetary Fund*

IRAN

Ratings affirmed at 'B+', outlook stable

Fitch Ratings affirmed Iran's Long-term foreign currency and local currency ratings at 'B+' with 'stable' outlooks, and the Short-term rating at 'B' and Country Ceiling at 'B+'. The agency said the ratings balance Iran's strengthening external creditor position and comfortable debt service and liquidity ratios against a weakening macro-policy framework, increasing vulnerability to lower oil prices and still high political risk. It added that Iran's ratings are vulnerable to any major weakening of oil prices or material deterioration in relations with the international community, and that political risk remains high and is a key rating constraint. However, the 'stable' rating outlook reflects Fitch's judgement that such deterioration is unlikely for the foreseeable future. High oil prices have continued to swell Iran's net external creditor position, as every external financial ratio is stronger than 'B' or 'BB' rating category medians. Fitch estimates foreign reserves are rising at up to \$15bn annually despite more difficult access to external finance and reports of increased capital flight. Although the current account surplus of around 9% of GDP is smaller than some other major oil exporters, it has been sufficient to outweigh net repayments of external indebtedness and large unidentified capital outflows. With the tightening of UN sanctions, exposure of banks in the Bank for International Settlements reporting area fell by \$1.1bn in the first half of 2007 after a larger decline of \$3.8bn in 2006.

Source: *Fitch Ratings*

KUWAIT

Corporate income tax cut to 15%

The Kuwaiti Parliament approved a government-proposed bill that would reduce corporate income tax of foreign firms' profits to a flat 15% from up to 55%. Also, capital gains made by foreign companies from trading in stocks listed on the Kuwait Stock Exchange, whether directly or through mutual funds, will not be taxed. The Cabinet presented the bill in May 2006 in a bid to attract more foreign investment, but a political standoff with parliament and elections have delayed the approval of the bill. The new tax code aims to provide much needed clarity to foreign investors and encourage foreign direct investment in various sectors as well as investment in the stock market.

Source: *Reuters*

UAE

New governance standards for publicly listed companies

The Ministry of Economy announced that a new ministerial resolution to regulate, standardize and enhance the management of private shareholding companies incorporated in the UAE will be issued by the first quarter of 2008. The new 'Governance Regulations of Private Shareholding Companies' will be adopted by the Cabinet after a process of public consultation, according to the ministry. The new regulations set the legal framework to which public-listed companies are to be bound, and was set by a special committee appointed by the ministry to recognize the growing role of private shareholding companies in the economic growth of the country.

Source: *Gulf News*



BANKING

SYRIA

Investors authorized to get foreign lending

The Council of Ministers issued Decision No 4 authorizing investors to get loans or advances in foreign currencies from external funding sources and foreign banks to finance local projects. The decree also indicated that the loans and the accrued interest will be repaid through local banks, specifically through the local bank that helped process the loan. Central Bank Governor Adib Mayaleh said the decision complements laws that encourage foreign investments, reduces investors' need to tie up capital, and helps local banks to diversify their activities and attract foreign direct investment.

Source: *Syria News*

Branches in free zones to convert to onshore branches

The Council of Money & Credit abolished offshore banking branches in Syria's free zones and requested that they become branches of authorized onshore banks operating in Syria according to Law 28 of 2001. Authorities granted the banks 6 months to implement the decision. Central Bank Governor Adib Mayaleh said the decision aims at putting all banking operations in Syria under the direct supervision of the Central Bank of Syria by applying the same rules and regulations that govern licensed onshore banks to those banks operating in the free zones. He added that this decision aims to ensure regulatory compliance and standardize the implementation of all international bank regulations across the sector.

Source: *Syria News*

YEMEN

Doha Bank to take strategic stake in local bank

Doha Bank, Qatar's fifth largest bank by market value, announced it will acquire a strategic stake in Yemen's Cooperative & Agricultural Credit Bank. Doha Bank also agreed to take a strategic stake in a new Islamic bank it intends to set up with the Yemeni bank once the board of directors completes the feasibility study.

Source: *Dow Jones Newswires*

ARMENIA

IFC provides funding to improve access to SMEs and mortgages

The International Finance Corporation announced that it will provide \$10m in equity and a \$15m long-term financing package to Ardshinvestbank, a leading bank in Armenia. The IFC said the capital injection and loan facility aims to help the bank expand its funding base and increase its ability to finance underserved markets, such as housing finance and SMEs. It added that the investment is part of its strategy in Armenia, which focuses on increasing access to finance for affordable housing. Ardshinvestbank is a leading bank in the country in terms of credit portfolio. Its total assets reached nearly \$250m, and its equity reached about \$43m as of September 30, 2007. The bank has one of the country's largest branch networks, with 51 branches.

Source: *International Finance Corporation*

KAZAKHSTAN

Outlook on banks changed to negative

Standard & Poor's revised its outlook to 'negative' from 'stable' on eight Kazakh banks: Kazkommertsbank, Bank TuranAlem, Halyk Savings Bank of Kazakhstan, Alliance Bank, Temirbank, BTA Ipoteka Mortgage Co., JSC Nurbank, and JSC Eurasian Bank. At the same time, S&P lowered its long-term counterparty credit rating on Kazkommertsbank to 'BB' from 'BB+' and its Kazakhstan national scale rating on Temirbank to 'kzBBB' from 'kzBBB+' and on Eurasian Bank to 'kzBB' from 'kzBBB-'. All other ratings were affirmed. The agency said the rating actions reflect concerns over the increasing pressure on asset quality and liquidity that Kazakh banks are subject to as the current market turmoil stretches on, despite having overcome the immediate impact of the global liquidity squeeze through adequate asset-liability management. It added that the banking sector is likely to undergo a transformation of its industry profile, business models, and practices, which also adds uncertainty about individual banks' ability to adjust to the new situation. Banks particularly at risk of a downgrade are those with large refinancing needs for international syndicated debt; those most exposed to the vulnerable real estate, construction, and other problematic sectors; and smaller banks that the government is not likely to support.

Source: *Standard & Poor's*

SUDAN

Bank of Khartoum to acquire Emirates and Sudan Bank

Bank of Khartoum announced plans to acquire the smaller Emirates and Sudan Bank. Bank of Khartoum is an affiliate of Dubai Islamic Bank, the third-biggest Gulf Islamic lender by market value. Dubai Islamic Bank would own 28% of the new entity and Sudan's government will own 10% of the bank, while Abu Dhabi Islamic Bank and Sharjah Islamic Bank would also own stakes. Bank of Khartoum planned to raise \$300m in a private placement to fund expansion.

Source: *Emirates Business*

UKRAINE

Foreign banks continue to enter market

Stockholm-based Skandinaviska Enskilda Banken announced it has acquired a controlling stake in Faktorial-Bank for \$120m and Bank of Cyprus is to buy 95% of AvtoZAZbank for \$76m. Also, Greece's Piraeus Bank purchased a controlling share of Ukraine's International Commercial Bank for \$75m and is competing with National Bank of Greece for Kreditprombank, one of the top 20 banks in Ukraine, while UniCredit Group is moving forward with plans to purchase a controlling \$2bn stake of Ukrsofsbank, the country's fourth largest by net assets. In parallel, the Ministry of Economy indicated that Deutsche Bank may open a branch in Ukraine after World Trade Organization entry, due for 2008. There are over 150 banks operating in Ukraine with foreign financial institutions now accounting for 30% of the banking sector's net assets, three times higher than in 2004.

Source: *Oxford Business Group*



ENERGY / COMMODITIES

Oil eases after leap to \$100

Oil prices dipped on Thursday, after jumping to a lifetime high of \$100 the day before, fuelled by expectations of thinning U.S. stockpiles, the falling dollar and geopolitical risks. U.S. light crude for February delivery fell 41 cents to \$99.21. U.S. crude traded a single lot at \$100 a barrel on Wednesday, with gains fuelled by new-year fund buying and violence in Nigeria and Algeria. London Brent crude dropped 39 cents to \$97.45. Oil prices climbed 57% in 2007, and many fund managers were bracing for another year of volatile and rising commodity prices. Despite oil rocketing to \$100, the White House said it would not open up the nation's emergency crude reserves to bring down prices while Libya and Qatar said the Organization of the Petroleum Exporting Countries was powerless to halt the rally. Indonesia's OPEC governor warned on Thursday that oil prices could climb to the \$100-\$110 level and said the cartel might decide to increase output at its February meeting in Vienna if supply was insufficient.

Oil's jump in the previous session was partly helped by a fresh wave of violence in Nigeria and Algeria, stoking worries of more supply disruptions from the two OPEC members. The U.S. dollar's fall on Wednesday also spurred speculative buying that boosted oil prices. Oil prices have nearly tripled since 2003, driven by rising demand in China and other developing countries, tight stockpiles and geopolitical turmoil.

Source: Reuters

Iran says there's 'enough' oil

A senior Iranian oil official said there was 'enough' supply in the market at this time and blamed the high crude price on excessive liquidity in financial markets. Hojjatollah Ghanimifard, international affairs director at the National Iranian Oil Company, said that was a shortage of refining capacity during the winter season in the northern hemisphere.

Source: Reuters

Iraq oil production above pre-war levels

The International Energy Agency (IEA) said Iraqi oil production is above the levels seen before the US-led invasion of the country in 2003, according to the. The IEA said Iraqi crude production is now running at 2.3 million barrels per day, compared with 1.9 million barrels at the start of this year. It attributed the rise to the improving security situation in Iraq, especially in the North of the country of the main oil pipeline from Iraq's northern oilfields to the port of Ceyhan in Turkey. But the IEA warned that attacks on Iraqi oil facilities remain a threat.

Source: Associated Press

Sonatrach to invest \$20bn by 2011

Energy Minister Chakib Khelil declared that state-owned oil and gas company Sonatrach plans to invest \$20bn in Algeria's petrochemical sector over the next four years, with about \$10bn spent in 2008 alone. The minister said the funds would be channeled into six major projects, including the \$3bn Arzew steam cracking complex to be built in partnership with France's Total.

Source: Magharebia News

Algeria's oil revenues reach \$59b in 2007

Energy and Mines Minister Chakib Khelil declared that Algeria's hydrocarbons' revenues will total \$59bn in 2007. He added that \$2 billion of this income was from a windfall tax on the profits of foreign energy firms. Under Algerian law, Sonatrach holds at least a 51% share in every oil and gas exploration contract awarded to foreign companies. Windfall taxes range from 5% to 50% on excess profits when Brent crude averages more than \$30 per barrel.

Source: Magharebia News

Iran boosts oil input

Mohammad Javad Asemipour, production affairs head of the National Iranian Oil Company, said Iran will reach oil output of 4.5 million barrels per day 'much earlier' than the planned target year of 2010. Crude output would increase to 4.2 million bpd by the end of the Iranian year that runs to March 19, while current output stands at 4.15 million bpd.

Source: Tehran Times

SEC invites tenders to bid for \$2bn power plant

Saudi Electricity Co, the country's largest power producer, will invite companies in the first quarter to bid for the contract to build and run a 1,200MW power plant to help meet rising demand. SEC will ask companies to submit initial bids for the estimated \$2bn independent power project, or IPP, in February, which will be followed by the release of final tender documents later in the quarter.

Source: Dow Jones Newswires

Gold near record highs

Gold firmed on Thursday, nearing a record high above \$861 an ounce hit the previous day, and dealers said the precious metal might test new peaks in coming weeks as oil's jump to \$100 a barrel increased inflation fears. Gold increased more than 30% in 2007, its biggest annual gain since 1979. The metal's allure as an inflation hedge and a safe-haven investment increased as the dollar fell to successive record lows, financial markets reeled from a global credit crisis and crude prices scaled new highs. Spot gold rose to \$857.80/858.50 an ounce from \$855.70/856.50 an ounce late in New York. It hit \$861.10 an ounce on Wednesday, surpassing its previous peak of \$850 set in January 1980. Gold has also benefited as commodities came into vogue in recent years, fuelled by booming emerging market growth fostered mainly by China's industrial revolution. The most-active February gold contract on the COMEX division of the New York Mercantile Exchange added \$0.4 to \$860.4 an ounce in electronic trade, having risen more than 2% in New York. Platinum rose to \$1,540/1,545 an ounce from \$1,539/1,544 late in New York and held near Wednesday's record high of \$1,544 an ounce. Silver rose to \$15.23/15.28 an ounce from \$15.17/15.22 late in New York. Palladium fell to \$371/375 an ounce from \$373/378.

Source: Reuters



COUNTRY RISK METRICS

Countries	LT Foreign currency rating					Central govt. balance/ GDP (%)	Public debt (% of GDP)	External debt / GDP (%)	External debt/ Exports (%)	Debt service ratio (%)	External Debt/ Forex Res. (%)	Current Account Balance / GDP (%)	Net FDI / GDP (%)
	S&P	Moody's	Fitch	CI	EIU								
Africa													
Algeria	-	-	-	-	BBB	9.9	19.5	3.8	6.4	1.6	5.0	15.7	0.8
	-	-	-	-	Stable								
Angola	-	-	-	-	BB	1.8	16.9	21.6	22.0	11.4	216.9	22.7	4.6
	-	-	-	-	Stable								
Egypt	BB+	Ba1	BB+	BB+	B	-7.5	91.5	24.7	119.2	5.8	118.0	1.4	5.1
	Stable	-	Positive	Stable	Stable								
Ethiopia	-	-	-	-	CCC	-5.7	77.9	23.7	128.7	2.7	246.1	-16.5	2.2
	-	-	-	-	Stable								
Ghana	B+	-	B+	-	B	-3.1	38.6	26.9	86.5	2.7	152.4	-6.7	-
	Stable	-	Positive	-	Stable								
Ivory Coast	-	-	-	-	CCC	-1.8	69.4	64.3	133.3	4.2	603.3	5.4	-
	-	-	-	-	Stable								
Libya	-	-	-	-	BB	32.2	5.8	10.3	14.5	3.1	7.8	18.5	2.8
	-	-	-	-	Stable								
Mauritania	-	-	-	-	-	-2.3	105.9	78.9	123.4	4.5	-	-2.6	-
	-	-	-	-	-								
Morocco	BB+	Ba1	BBB-	BBB-	BB	-2.7	55.9	24.0	130.8	9.6	75.3	4.0	1.9
	Positive	-	Stable	Stable	Stable								
Nigeria	BB-	-	BB-	-	BB	-1.4	11.1	4.0	8.7	3.7	14.18	9.7	1.4
	Stable	-	Stable	-	Stable								
Sudan	-	-	-	-	CC	-2.3	51.5	58.4	296.5	3.6	-	-9.8	7.4
	-	-	-	-	Negative								
Tunisia	BBB	Baa2	BBB	BBB	BBB	-2.9	54.8	54.7	134.2	15.2	260.1	-1.6	2.7
	Stable	-	Stable	Stable	Stable								
Middle East													
Bahrain	A	A2	A	A-	A	6.1	25.8	129.0	63.1	5.8	750.7	9.9	12.1
	Stable	-	Stable	Stable	Stable								
Iran	-	-	B+	BB-	B	-11.1	24.1	5.2	20.3	3.2	25.4	3.1	0.0
	-	-	Stable	Stable	Stable								
Iraq	-	-	-	-	C	-0.3	-	111.9	195.7	3.8	-	4.7	-
	-	-	-	-	Positive								
Jordan	BB	Ba2	-	BB	B	-3.4	73.2	89.0	137.0	6.6	221.6	-13.6	12.6
	Stable	-	-	Stable	Stable								
Kuwait	AA-	Aa2	AA-	AA-	A	33.3	9.2	17.9	32.8	2.0	106.2	39.3	-4.5
	Stable	-	Stable	Stable	Stable								
Lebanon	B-	B3	B-	B-	CCC	-13.1	174.6	101.6	492.5	14.8	242.6	-10.8	4.7
	Negative	-	Stable	Negative	Stable								
Oman	A	A2	-	A-	A	10.1	7.7	17.2	19.8	5.9	113.7	8.6	2.0
	Stable	-	-	Stable	Stable								
Qatar	AA-	Aa2	-	A+	A	6.8	15.5	47.0	96.5	10.9	407.7	27.8	4.3
	Stable	-	-	Stable	Stable								
Saudi Arabia	AA-	A1	A+	A+	A	19.4	4.7	8.4	26.1	2.4	122.9	31.9	0.5
	Stable	-	Positive	Stable	Stable								
Syria	-	-	-	-	CCC	-5.3	44.1	20.1	49.3	4.1	107.8	-1.1	1.4
	-	-	-	-	Stable								
UAE	-	Aa2	-	AA-	A	23.9	10.6	60.0	29.8	2.0	332.9	18.8	5.2
	-	-	-	Stable	Stable								
Yemen	-	-	-	B-	B	-	38.8	28.9	69.2	2.8	73.9	-5.2	-
	-	-	-	Stable	Stable								



COUNTRY RISK METRICS

Countries	LT Foreign currency rating					Central gvt. balance/ GDP (%)	Public debt (% of GDP)	External debt / GDP (%)	External debt/ Exports (%)	Debt service ratio (%)	External Debt/ Forex Res. (%)	Current Account Balance / GDP (%)	Net FDI / GDP (%)
	S&P	Moody's	Fitch	CI	EIU								
Central & Eastern Europe													
Armenia	-	Ba2	BB-	-	-	-3.3	17.6	27.1	210.0	2.6	161.6	-4.1	3.5
	-	-	Positive	-	-								
Bulgaria	BBB+	Baa3	BBB	-	BBB	2.6	19.5	80.0	147.3	18.0	228.2	-16.1	11.0
	Stable	-	Stable	-	Stable								
Kazakhstan	BBB-	Baa2	BBB	-	BB	0.3	4.4	60.4	225.2	36.0	197.8	2.3	5.1
	Stable	-	Stable	-	Stable								
Romania	BBB-	Baa3	BBB	BBB-	BB	-2.9	12.8	42.0	178.3	22.3	233.1	-11.9	6.9
	Stable	-	Stable	Stable	Stable								
Russia	BBB+	Baa2	BBB+	-	BBB	3.6	8.2	33.5	90.8	12.5	98.5	6.3	1.3
	Stable	-	Stable	-	Stable								
Turkey	BB-	Ba3	BB-	BB-	B	-2.0	60.9	52.3	194.8	37.6	340.6	-7.9	4.6
	Stable	-	Stable	Stable	Stable								
Ukraine	BB-	B1	BB-	-	BB	-2.6	17.5	44.7	105.6	17.5	207.5	-3.6	4.2
	Negative	-	Positive	-	Stable								

Sources: Moody's Investors Service; EIU - The above figures are estimated for 2007



SELECTED POLICY RATES

	Benchmark rate	Current (%)	Last meeting		Next meeting
			Date	Action	
USA	Fed Funds Target Rate	4.25	11-Dec-07	Cut 25bps	30-Jan-08
Eurozone	Refi Rate	4.00	06-Dec-07	No change	10-Jan-08
UK	Base Rate	5.50	06-Dec-07	Cut 25bps	11-Jan-08
Japan	O/N Call Rate	0.50	13-Nov-07	No change	20-Dec-07
Australia	Cash Rate	6.75	04-Dec-07	No change	05-Feb-08
New Zealand	Cash Rate	8.25	05-Dec-07	No change	23-Jan-08
Switzerland	3 month Libor target	2.75	13-Dec-07	No change	13-Mar-08
Emerging Markets					
China	One-year lending rate	7.29	14-Sep-07	Raise 27bps	N/A
Hong Kong	Base Rate	5.75	12-Dec-07	Cut 25bps	N/A
Taiwan	Discount Rate	3.25	20-Sep-07	Raise 12.5bps	20-Dec-07
South Korea	O/N Call Rate	5.00	07-Dec-07	No change	10-Jan-08
Malaysia	O/N Policy Rate	3.50	26-Nov-07	No change	29-Jan-08
Thailand	1D Repo	3.25	04-Dec-07	No change	16-Jan-08
India	Reverse repo rate	6.00	30-Oct-07	No change	31-Jan-08
UAE	3M EBOR	4.91	01-Nov-07	Cut 20bps	N/A
Saudi Arabia	Repo Rate	5.50	01-Nov-07	No change	N/A
Egypt	overnight lending	10.75	Oct-07	No change	N/A
Turkey	Base Rate	16.25	13-Dec-07	Cut 50bps	17-Jan-08
South Africa	Repo rate	11.00	06-Dec-07	Raise 50bps	Jan 08
Kenya	Central Bank Rate	8.75	Dec 07	No change	Feb 08
Nigeria	Monetary Policy Rate	9.50	04-Dec-07	Raise 50bps	Feb 08
Ghana	Prime Rate	13.50	06-Nov-07	Raise 100bps	Jan 08
Mexico	Target Rate	7.50	07-Dec-07	No change	18-Jan-08
Brazil	Selic Rate	11.25	05-Dec-07	No change	23-Jan-08
Armenia	Repo Rate	5.00	N/A	N/A	N/A
Romania	Policy Rate	7.50	Oct-07	No change	N/A
Bulgaria	Overdraft rate	8.40	N/A	N/A	N/A
Kazakhstan	Reverse repo rate	9.00	Oct-07	N/A	N/A

Source: Standard Chartered - Countries in bold updated on January 3, 2008



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